Achievements in Three Years of Abenomics

February 29, 2016

Cabinet Office

Overview of the Achievements in Three Years of Abenomics

Note: Abe Cabinet started in Dec. 2012.

1. Overcoming deflation and revitalizing the economy

- The path to overcoming deflation is still only halfway complete. However, the deflationary situation that has persisted for more than 15 years has achieved a turnaround (the basic direction of prices has turned positive; both nominal and real GDP have increased).
- GNI (gross national income), in real terms, increased by approx. 22 trillion yen compared to the October-December quarter of 2012 and exceeded the level before the 2008 financial crisis. Likewise, in nominal terms, about 36 of the 50 trillion yen lost due to the financial crisis has been recovered and the amount is expected to surpass 50 trillion yen in 2016.
- Record high corporate earnings, reduction in the effective corporate tax rate, the first fundamental electricity system reform in about 60 years, etc.

2. Bankruptcy, unemployment, and wages

- The number of bankruptcies in 2015 (8,812 cases) decreased by approx. 30% compared to 2012, reaching its lowest level in 25 years.
- The number of unemployed people decreased by 580,000 (involuntary unemployment decreased by 460,000, young unemployed people by 80,000 , etc.). The number of unwilling non-regular employees decreased by 210,000.
- The rates of wage increases at large enterprises and SMEs in 2015 were the highest in 17 years. The minimum wage increased by 49 yen over the past three years (national weighted average), etc.

3. Fiscal consolidation

- The target of halving the primary deficit to GDP ratio of central and local governments from FY2010 (3.3% of GDP) is expected to be achieved. The Plan and Action Program to Advance Economic and Fiscal Revitalization was compiled to achieve the target of realizing fiscal consolidation in FY2020, etc.

4. Local Abenomics

- The ratio of job offers to job seekers increased in all prefectures, recording record highs in seven rural prefectures.
- Business sentiment (Bank of Japan Tankan) improved significantly in all nine regions of Japan.
- The proportion of companies that raised wages across the board increased in all 11 regions of Japan (FY2013: 12.7%→FY2015: 47.1%)
- Prefectural tax revenue increased in all prefectures (approx. 2.2 trillion yen), of which revenues from the two local corporation taxes also increased in all prefectures (approx. 0.8 trillion yen), etc.

5. Foreign relations

- The Trans-Pacific Partnership (TPP) Agreement negotiations reached an agreement in principle in Oct. 2015.
- In 2015, 19.74 million foreign visitors came to Japan, by 11.38 million more than in 2012, etc.

6. Promoting active participation of women and tackling the declining birthrate

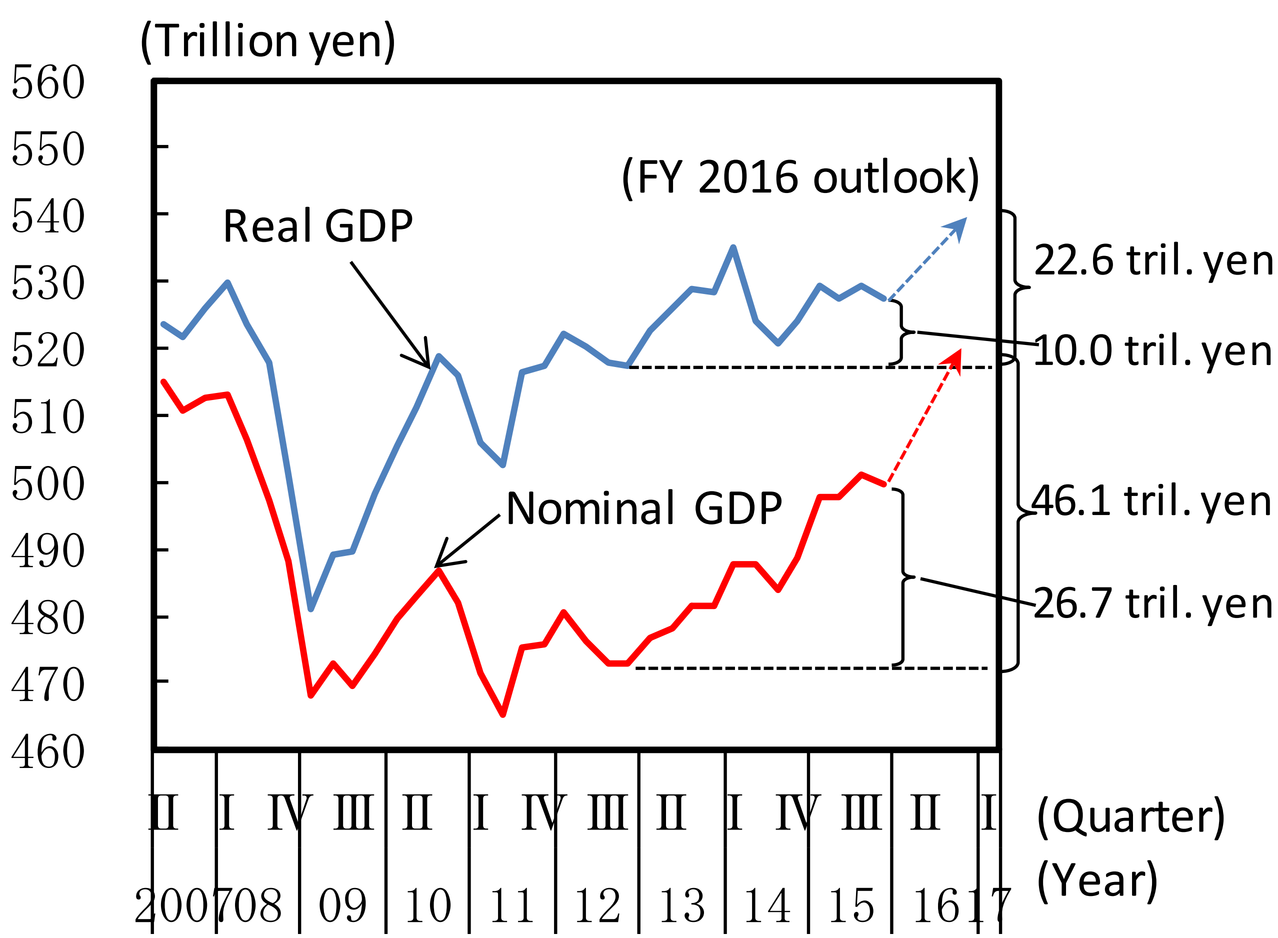
- The number of employed women increased by 1.05 million. The number of regular employees increased by 10,000.
- The capacity of childcare facilities increased by approx. 219,000 in two years (FY2013-FY2014).

Note: Although in principle changes between 2012 and most recent data focused, see p. 3 and the following pages for more information, including the timeframes for the above data.

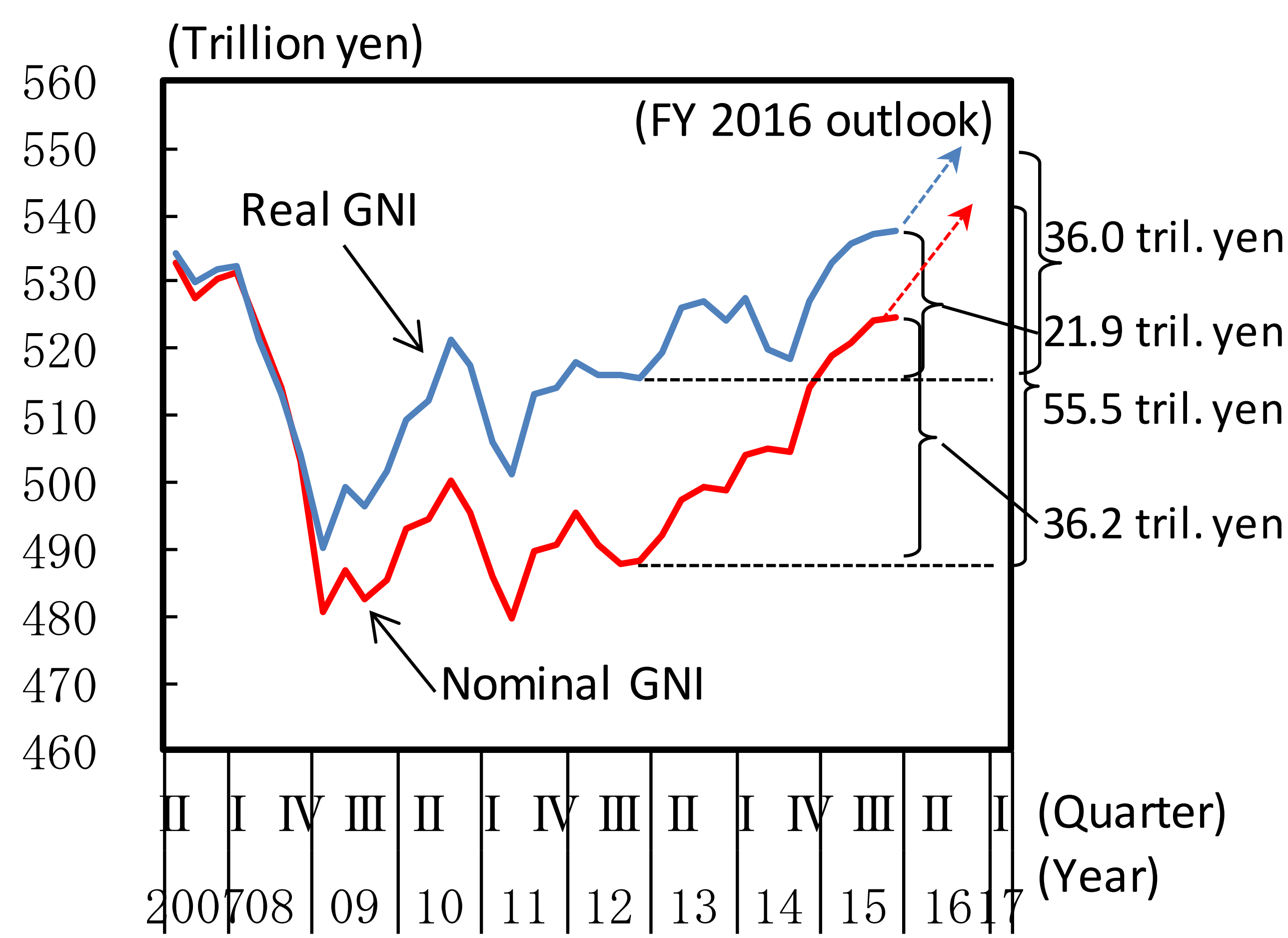
1. GDP and GNI

○ Nominal GDP exceeded 500 trillion yen for the first time since the Apr.-Jun. quarter of 2008. Real GDP increased by approx. 10 trillion yen, with reversing to positive growth in the Jan.-Mar. quarter of 2013 after the three consecutive quarters of negative growth in 2012.
○ Real GNI was higher than before the 2008 financial crisis, increasing by approx. 22 trillion yen compared to the Oct.-Dec. quarter of 2012. Nominal GNI recovered approx. 36 of the 50 trillion yen lost due to the financial crisis, and is expected to surpass 50 trillion yen in FY2016.

Real and Nominal GDP (Quarterly)



Real and Nominal GNI (Quarterly)

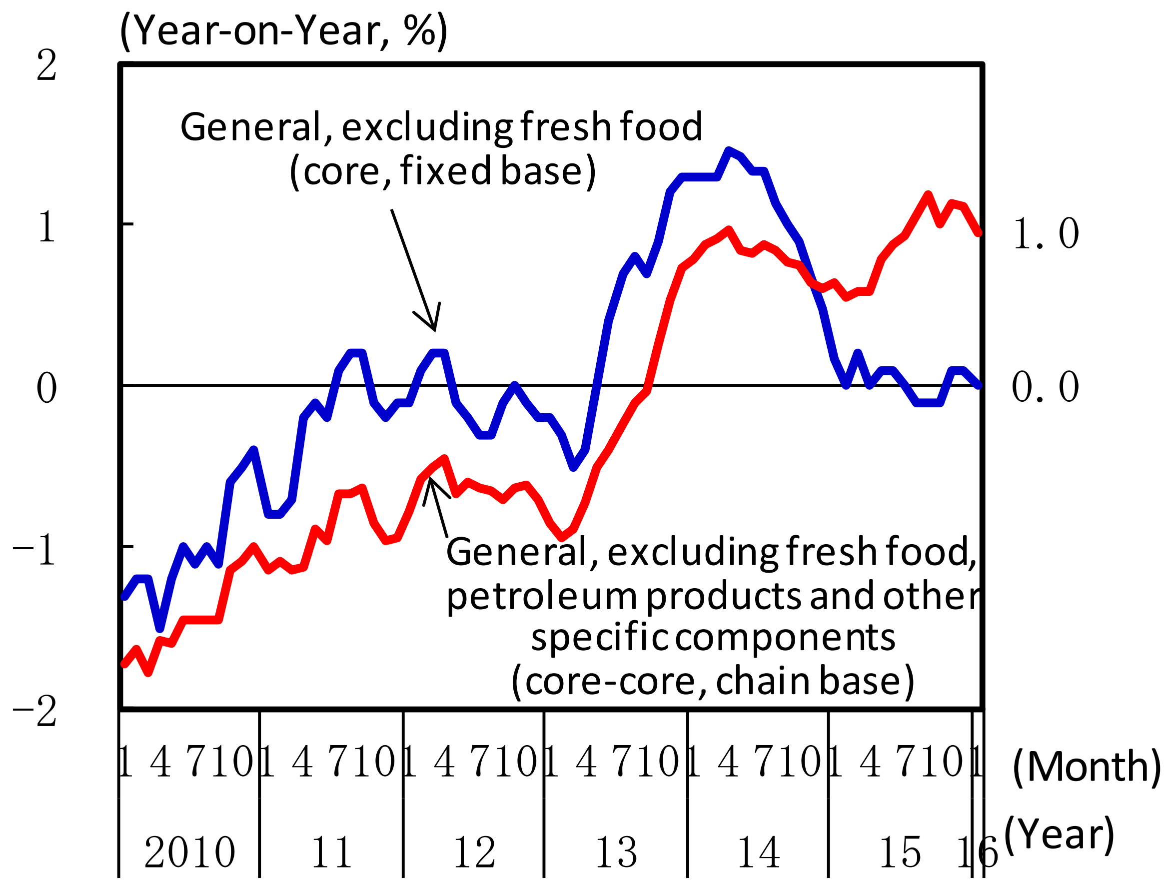


Source: Cabinet Office, "System of National Accounts" and "Fiscal 2016 Government's Economic Outlook"

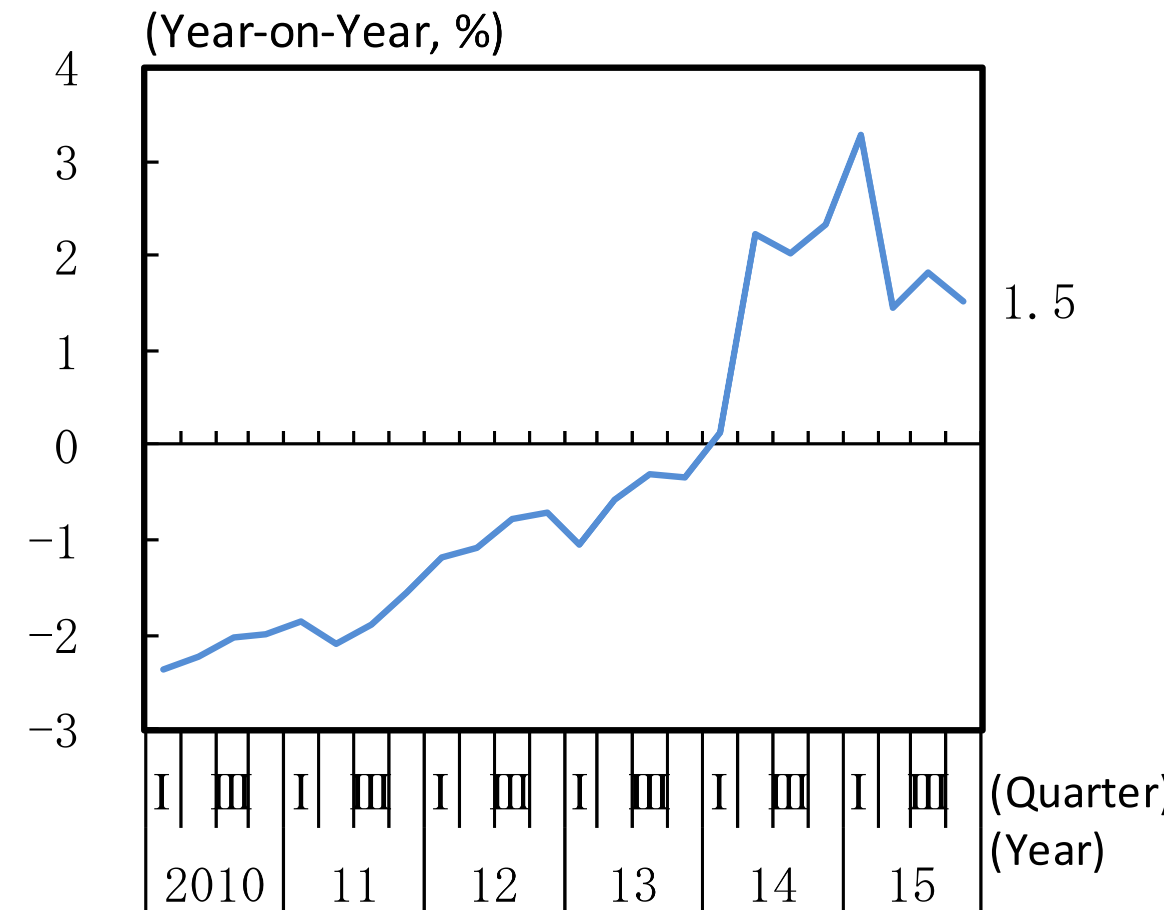
2. Price Movements

○ With the 15-year deflationary situation ending, Japan is advancing steadily toward overcoming deflation.

Changes in Consumer Prices
(Excluding Consumption Tax)



Changes in GDP Deflator



Notes: 1. MIC, "Consumer Price Index" and Cabinet Office, "System of National Accounts."
2. "General, excluding fresh food, petroleum products and other specific components" (core-core) refers to "General, excluding fresh food" (core) minus petroleum products (gasoline, kerosene, propane gas), electricity expenses, city gas expenses, and other utility charges, etc.

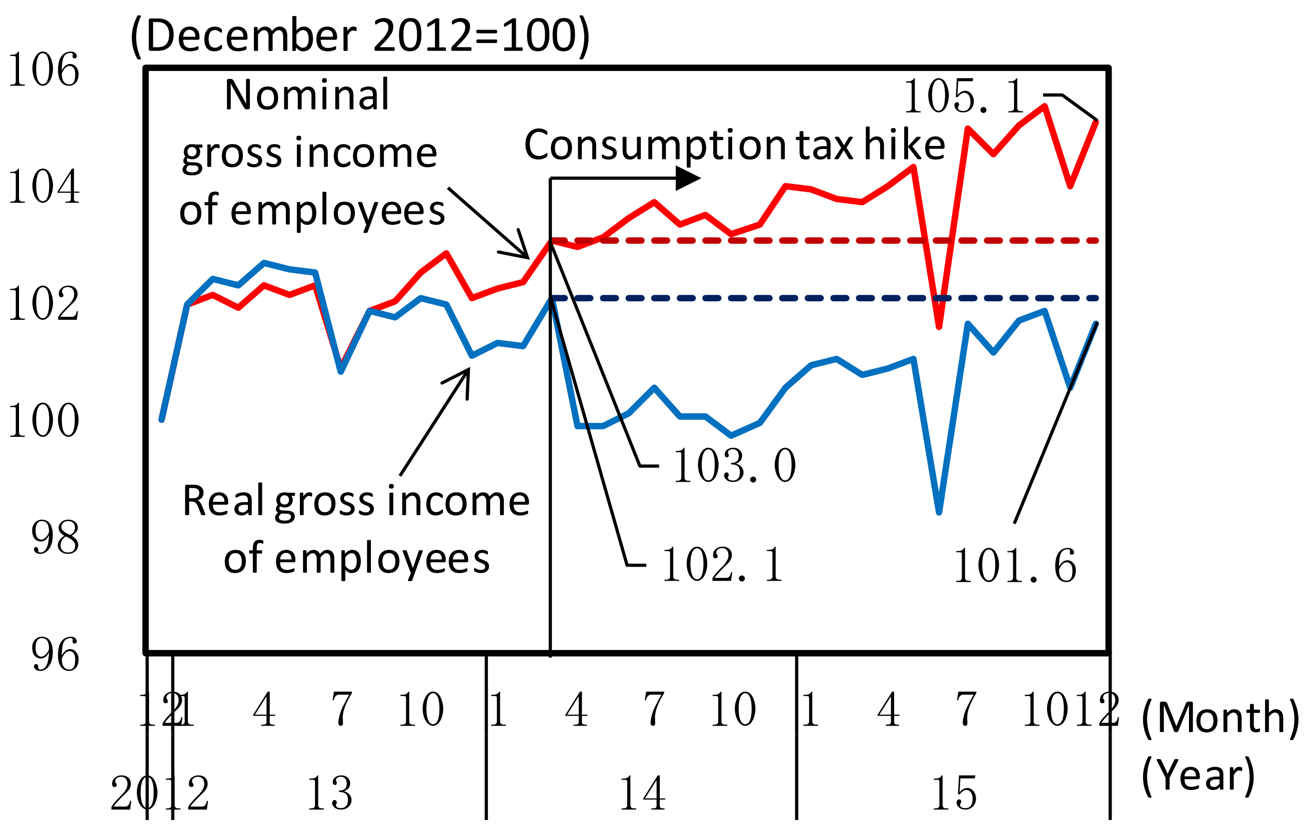
Indicator	Before Abe Cabinet	Most Recently	Note
GDP deflator (year-on-year)	-0.7% (2012 Oct.-Dec. Qtr.)	1.5% (2015 Oct.-Dec. Qtr.)	Positive for 8 consecutive quarters since 2014 Jan.-Mar. Qtr.
GDP gap (% of potential GDP)	-2.4% (2012 Oct.-Dec. Qtr.)	-1.3% (2015 Jul.-Sep. Qtr.)	1.1% point reduction
Per capita wage (year-on-year)	-1.5% (2012 Oct.-Dec. Qtr.)	0.2% (2015 Oct.-Dec. Qtr.)	

Notes: 1. Cabinet Office, "System of National Accounts" and MHLW, "Monthly Labour Survey."
2. GDP gap based on Cabinet Office estimates.

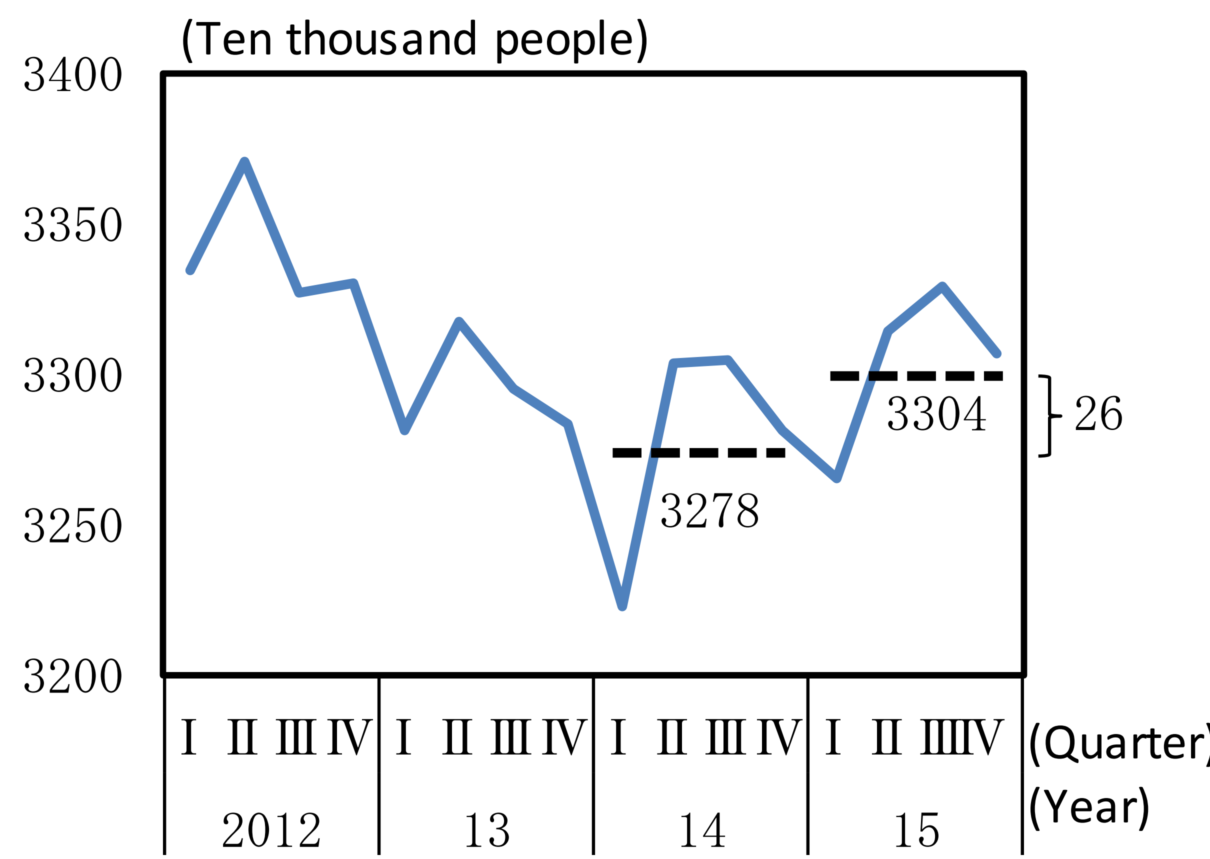
3. Employment and Wages

○ Gross Income of employees increased by 5% in nominal terms and 2% in real terms from December 2012.
○ The number of unemployed decreased by 580,000 from the Oct.-Dec. quarter of 2012. The number of regular employees in 2015 increased by 260,000 from 2014.

Gross Income of Employees (Nominal, Real)



Number of Regular Employees



Source: MIC, “Labour Force Survey,” MHLW, “Monthly Labour Survey,” and Cabinet Office, “System of National Accounts.”

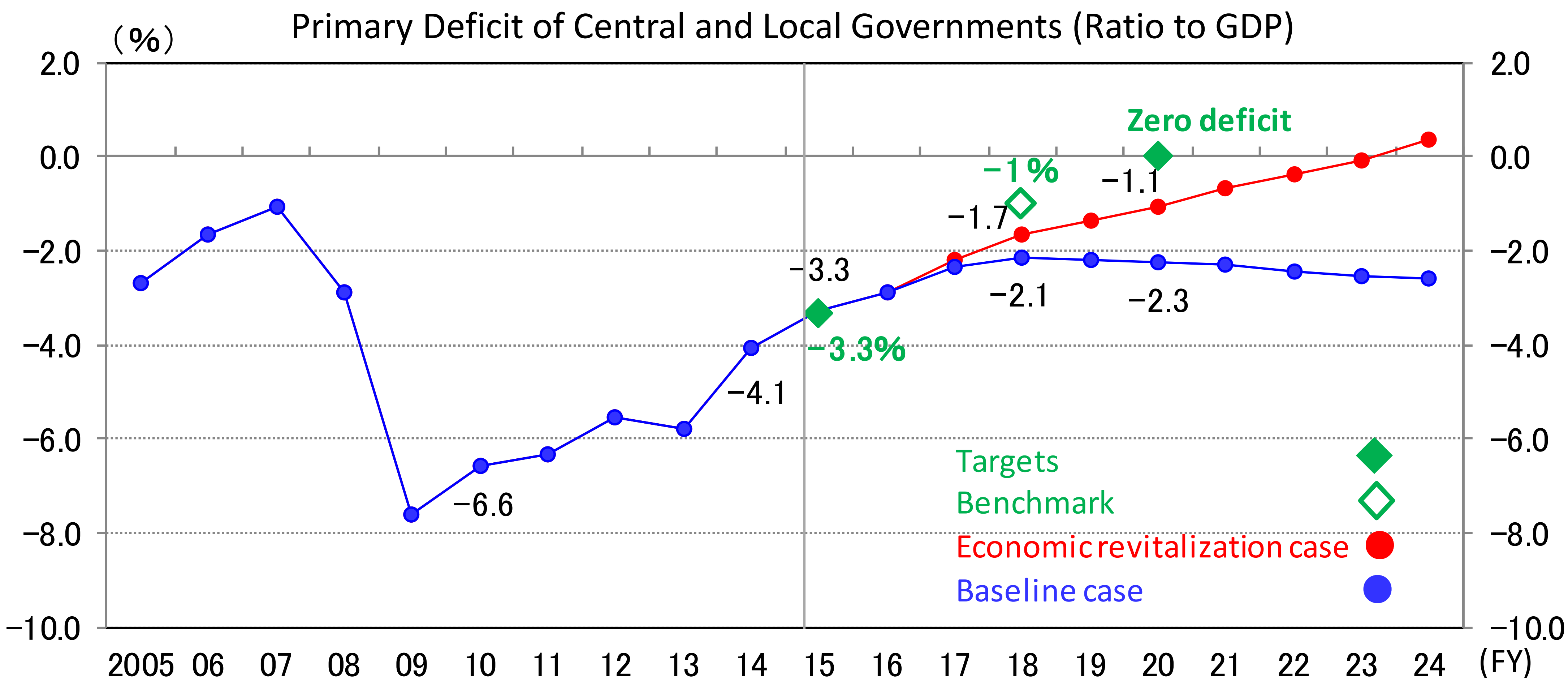
3. Employment and Wages (continued)

Indicator	Before Abe Cabinet	Most Recently	Note
Employment Note: If indicator does not specify time, comparison is made between Dec. 2012 & Dec. 2015			
# of employed	62,740,000 people (2012 Oct.-Dec. Quarter)	63,900,000 people (2015 Oct.-Dec. Quarter)	1.16 million-person increase
Ratio of job offers to job seekers (parentheses: regular employees)	0.83 (0.50)	1.27 (0.80)	Highest in 24 years since December 1991
# of unemployed (unemployment rate)	2.8 million people (4.3%)	2.22 million people (3.3%)	580,000-person reduction
# of involuntary unemployment	1,080,000 people	620,000 people	460,000-person reduction
# of unemployed aged 15-24 (unemployment rate)	360,000 people (7.2%)	280,000 people (5.2%)	80,000-person reduction
# of unwilling non-regular employees	3.48 million people (2013 Jan.-Mar. Quarter)	3.27 million people (2015 Jan.-Mar. Quarter)	210,000-person reduction
Employment rate of university graduates	93.9% (Graduated March 2013)	96.7% (Graduated March 2015)	Highest level in 7 years
Employment rate of high school graduates	95.8% (Graduated March 2013)	97.5% (Graduated March 2015)	Highest level in 23 years
# of households receiving welfare (excl. aged households)	880,000 (November 2012)	820,000 (November 2015)	60,000-household reduction
Wages			
Per capita wages (General worker)	718,000 yen (December 2012)	739,300 yen (December 2015)	Avg. rate of increase in 2013-2015: 1.0%
Part-time hourly salary	1,035 yen (December 2012)	1,073 yen (December 2015)	Avg. rate of increase in 2013-2015: 1.2%
Ratio of wage increase (spring labor-management negotiations)	1.72% (2012)	2.20% (2015)	In 2015, largest wage increase in 17 years
Ratio of wage increase (same as above, SMEs)	1.52% (2012)	1.88% (2015)	In 2015, largest wage increase in 17 years
Summer bonus (year-on-year) (Keidanren survey)	-2.5% (2012)	2.8% (2015)	Three consecutive years of increase
Year-end bonus (year-on-year) (Keidanren survey)	-3.0% (2012)	3.8% (2015)	Three consecutive years of increase
Minimum wage (National weighted avg.)	749 yen (FY2012)	798 yen (FY2015)	Avg. rate of increase in 2013-2015: 2.1%

Notes: 1. MIC, "Labour Force Survey," MHLW, "Report on Employment Service," MEXT and MHLW, "Employment Situation Survey of University, etc. and High School Graduates," MHLW, "Survey on Public Assistance Recipients" and "Monthly Labour Survey," JTUC-RENGO, "Report on Responses Concerning Spring Offensive," Keidanren, "Spring Management-Labor Negotiations / Situation of Bonus and Lump-Sum Agreement," and MHLW, "Situation of Minimum Wage Revisions by Region."
2. Aged households in the number of households receiving welfare refers to households comprised only of people aged 65 or older for men and women or these households with the addition of people aged 18 or younger.

4. Finance

○ The target of halving the primary deficit of central and local governments to GDP ratio from FY2010 by FY2015 (3.3% of GDP) is expected to be achieved. The primary deficit is expected to decrease to 2.9% of GDP in FY2016.



Note: Cabinet Office, “Economic and Fiscal Projections for Medium to Long Term Analysis.” Excluding the expenditures and revenues for the recovery and reconstruction measures from the Great East Japan Earthquake.

Indicator	Before Abe Cabinet	Most Recently	Note
Tax revenue of central and local governments	78.7 trillion yen (FY2012)	99.5 trillion yen (FY2016)	Approx. 21 trillion yen increase. Approx. 13 trillion yen increase even when increase from consumption tax hike is excluded.
Revenue from social insurance premiums	58.1 trillion yen (FY2012)	62.2 trillion yen (FY2014)	4.1 trillion yen increase

Note: “Budget Framework,” “Main Points and Overview of Local Public Finance Measures,” and Cabinet Office, “System of National Accounts.” Tax revenues of central and local governments are based on initial budgets. Local tax revenues are based on revenues from the local tax and local transfer tax in the Local Public Finance Plan to which revenues from the excess tax, tax not stipulated in the Local Tax Act, and other taxes not in the Plan are added.

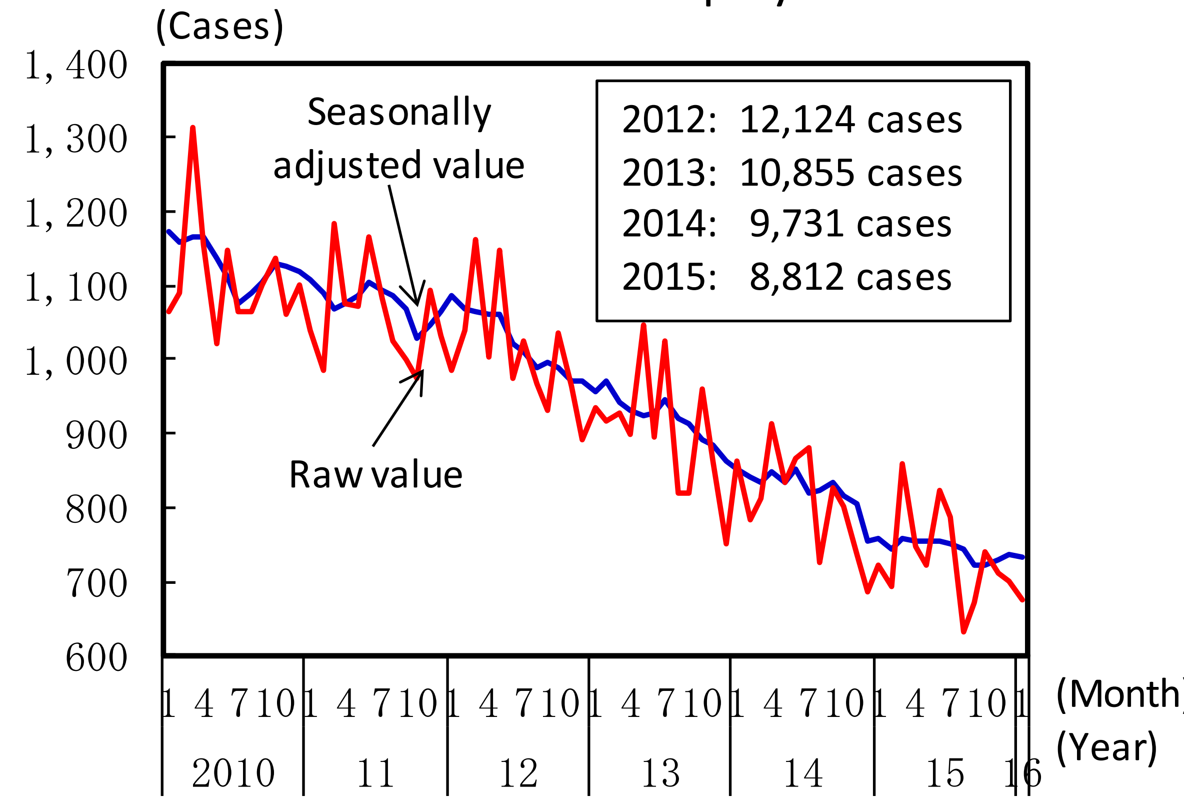
5. Business Environment for Companies

- Japan rose to 6th place in the global competitiveness ranking by the World Economic Forum.
- The number of bankruptcies in 2015 (8,812 cases) decreased by approx. 30% from 2012, reaching its lowest level in 25 years.
- The business environment for companies has improved significantly, with corporate earnings reaching record high levels and the effective corporate tax rate decreasing.

Global Competitiveness Ranking
(World Economic Forum)

Rank	2012	2013	2014	2015
1	Switzerland	Switzerland	Switzerland	Switzerland
2	Singapore	Singapore	Singapore	Singapore
3	Finland	Finland	US	US
4	Sweden	Germany	Finland	Germany
5	Netherlands	US	Germany	Netherlands
6	Germany	Sweden	Japan	Japan
7	US	Hong Kong	Hong Kong	Hong Kong
8	UK	Netherlands	Netherlands	Finland
9	Hong Kong	Japan	UK	Sweden
10	Japan	UK	Sweden	UK

Number of Bankruptcy Cases



Source: World Economic Forum and Tokyo Shoko Research, "Monthly Bankruptcy Report."

Indicator	Before Abe Cabinet	Most Recently	Note
Ordinary profit of companies	12.4 trillion yen (2012 Oct.-Dec. Quarter)	17.9 trillion yen (2015 Jul.-Sep. Quarter)	Record high level
ROE of listed companies (return on equity)	5.7% (2012 Oct.-Dec. Quarter)	8.2% (2015 Oct.-Dec. Quarter)	Increased to approx. 1.4 times
Effective corporate tax rate	37.00% (FY2012)	32.11% (FY2015)	29.97% in FY2016
Business sentiment of SMEs	-14 (Dec. 2012 survey)	3 (Dec. 2015 survey)	17 point improvement
Financial position of SMEs	-5 (Dec. 2012 survey)	6 (Dec. 2015 survey)	11 point improvement

Note: MOF, "Financial Statements Statistics of Corporations by Industry, Quarterly," Bloomberg, "Tax Reform," and BoJ, "Short-Term Economic Survey of Enterprises in Japan."
Listed companies are those making up TOPIX.

6. Local Economy

Indicator	Comparison before Abe Cabinet and Most Recently among Prefectures and Regions	Note
# of employed	Increased or same in 31 prefectures (2012 Jul.-Sep. Quarter→2015 Jul.-Sep. Quarter)	Record high in 3 prefectures (Tokyo, Fukuoka, Okinawa) (comparing Jul.-Sep. Quarter since 1997)
Ratio of job offers to job seekers	Increased in all prefectures (Dec. 2012→Dec. 2015)	Record high in 7 prefectures in 2015 (Aomori, Akita, Tokushima, Kochi, Fukuoka, Kumamoto, Okinawa)) (since 1963 from which there are comparable data)
# of unemployed	Decreased or same in all prefectures (2012 Jul.-Sep. Quarter→2015 Jul.-Sep. Quarter)	Record low in 23 prefectures (comparing Jul.-Sep. Quarter since 1997)
Unemployment rate	Decreased in 46 prefectures (2012 Jul.-Sep. Quarter→2015 Jul.-Sep. Quarter)	Record low in 15 prefectures (comparing Jul.-Sep. Quarter since 1997)
Per capita wages	Increased in 36 prefectures (Nov. 2012→Nov. 2015)	In Jan.-Nov. 2015, increased year-on-year by 0.5% for 37 rural prefectures combined and by 0.3% in 10 prefectures incl. major cities
Proportion of companies that raised wages across the board	Increased in all 11 regions of Japan (FY2013→FY2015)	National avg. was 47.1% in FY2015, increasing by approx. 34% between FY2013 and FY2015
# of bankruptcy cases	Decreased or same in 43 prefectures (2012 Oct.-Dec. Quarter→2015 Oct.-Dec. Quarter)	Decreased by over 50% in 12 prefectures (Akita, Ishikawa, Fukui, Mie, Shiga, Kyoto, Shimane, Yamaguchi, Tokushima, Nagasaki, Kumamoto, Kagoshima)
Business sentiment DI in BoJ Tankan	Improved in all 9 regions of Japan (Dec. 2012→Dec. 2015)	Hokkaido (+6), Tohoku (+9), Kanto (+9), Tokai (+20), Hokuriku (+29), Kinki (+21), Chugoku (+26), Shikoku (+22), Kyushu-Okinawa(+20)
Loans by institutions	Increased in 45 prefectures (Dec. 2012→Dec. 2015)	Record high in 18 prefectures (Yamagata, Ibaraki, Saitama, Chiba, Toyama, Shizuoka, Shiga, Tottori, Shimane, Okayama, Hiroshima, Yamaguchi, Fukuoka, Kumamoto, Oita, Miyazaki, Kagoshima, Okinawa) (since 1998 when statistics began to be collected)

Note: Japan consists of 47 prefectures. Regions are 9 to 11 groups of the prefectures geographically close to each other.

6. Local Economy (continued)

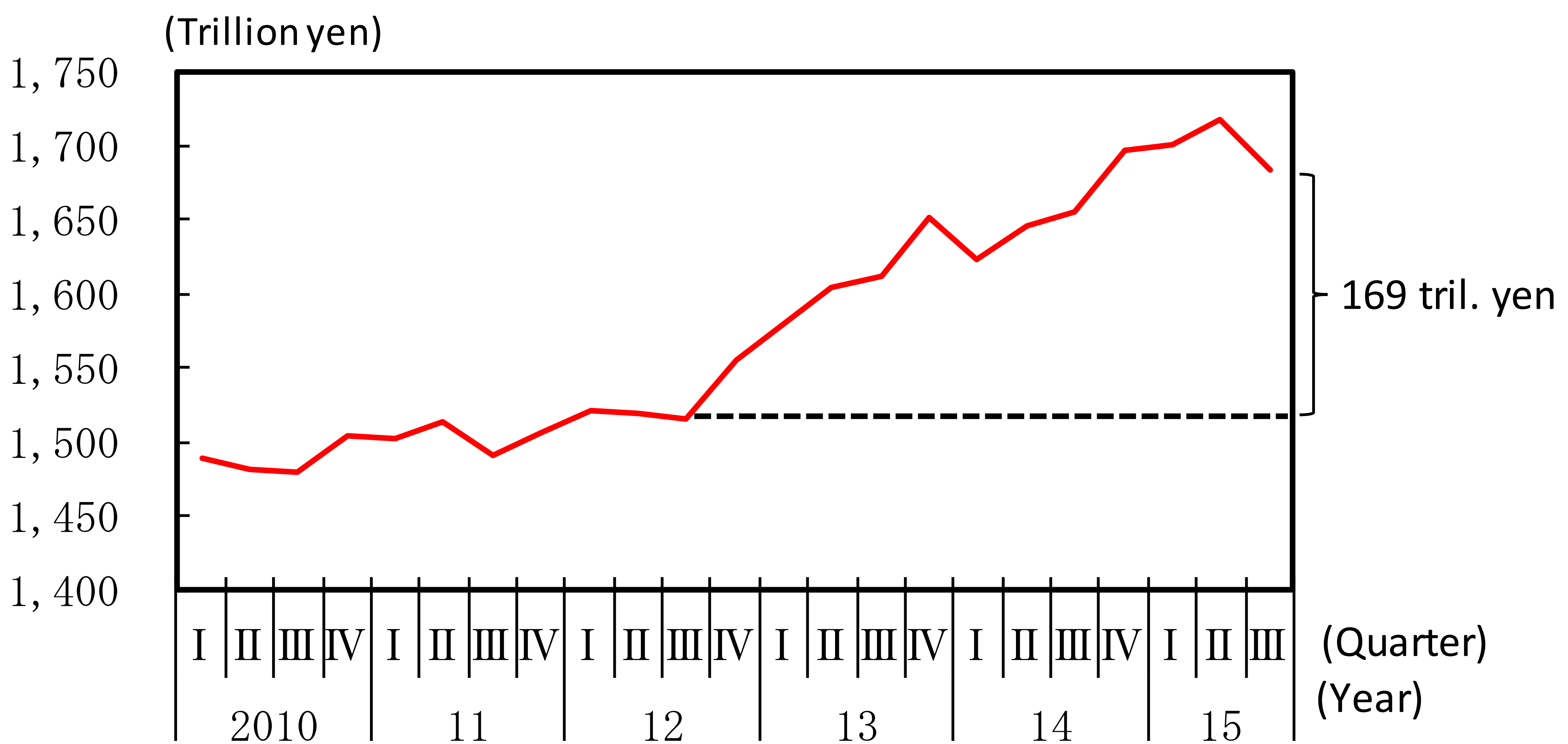
Indicator	Comparison before Abe Cabinet and Most Recently among Prefectures and Regions	Note
Labor force participation rate of women	Increased in all 10 regions of Japan (2012 Oct.-Dec. Quarter→2015 Oct.-Dec. Quarter)	Record high in 7 regions (Minami Kanto, Kita Kanto-Koshin, Hokuriku, Tokai, Kinki, Shikoku, Kyushu-Okinawa) (since 2007 from which there are comparable data)
# of childcare and other related facilities	Increased or same in 37 prefectures (Apr. 2013→Apr. 2015)	Nationwide total increased by 1,426 facilities (24,038 facilities→25,464 facilities)
# of foreign visitors staying at accommodations (total number)	Increased in all prefectures (2012 Jul.-Sep. Quarter→2015 Jul.-Sep. Quarter)	Record high in 43 prefectures (comparing Jul.-Sep. Quarter since 2010)
# of duty-free stores	Increased in all prefectures (Apr. 2013→Oct. 2015)	Nationwide total increased by 6-fold (4,622 stores→29,047 stores)
Revenue from prefectural taxes (local transfer tax [incl. revenue of prefectures])	Revenue increased in all prefectures (approx. 2.2 trillion yen) Of which Corporate inhabitant tax and Corporate enterprise tax also increased (approx. 0.8 trillion yen), etc. (FY2012→FY2014)	Based on financial statements
# of programs accepting hometown tax contributions	Increased in all prefectures (FY2012→FY2014)	Nationwide total increased by 1.934 million programs (122,000 programs→2.056 million programs)

Source: MIC, “Labor Force Survey,” MHLW, “Situation of General Work Referrals” and “Monthly Labour Survey’s Local Survey,” Tokyo Shoko Research, “Corporate Bankruptcies in Japan,” BoJ, “Short-Term Economic Survey of Enterprises in Japan,” MOF, “‘Wage Trends’ According to Financial Bureau Surveys,” BoJ, “Financial and Economic Statistics,” MHLW, “Report on Situation of Childcare Facilities,” JTA, “Statistical Survey on Travel and Accommodation” and “Distribution of Duty-Free Stores (Export Goods Retailers) by Prefecture,” MIC, “Financial Statements of Prefectures,” and MIC, “Survey on Status of Hometown Tax Contribution.”

7. Assets

○ The household financial asset balance increased by 169 trillion yen from the Jul.-Sep. quarter of 2012.

Household Financial Asset Balance



Source: BoJ, "Flow of Funds Accounts."

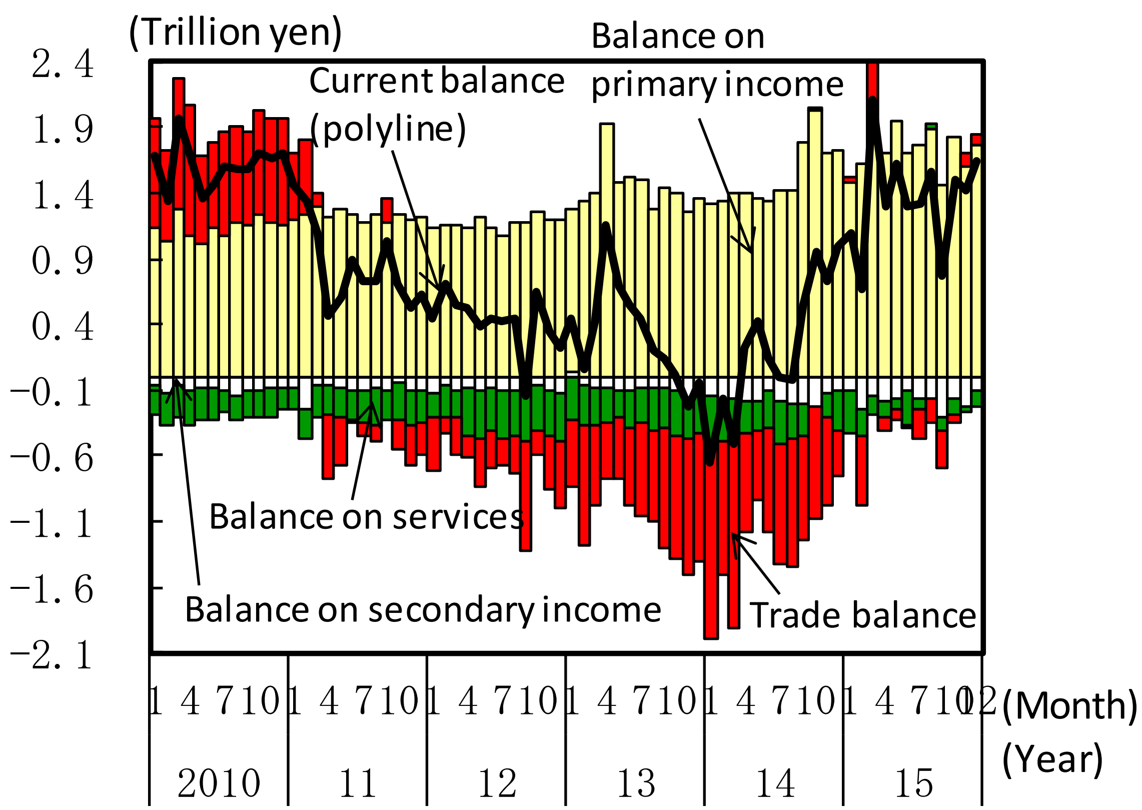
Indicator	Before Abe Cabinet	Most Recently	Note
# of NISA accounts opened	---	9.87 million (end of December 2015)	
NISA asset balance	---	6.4 trillion yen (end of December 2015)	

Source: FSA, "Survey on Opening and Use of NISA Accounts." Figures are preliminary. NISA, short for Nippon (Japan) Individual Savings Account and a new type of tax exemption program for small investments by individuals, started in January 2014.

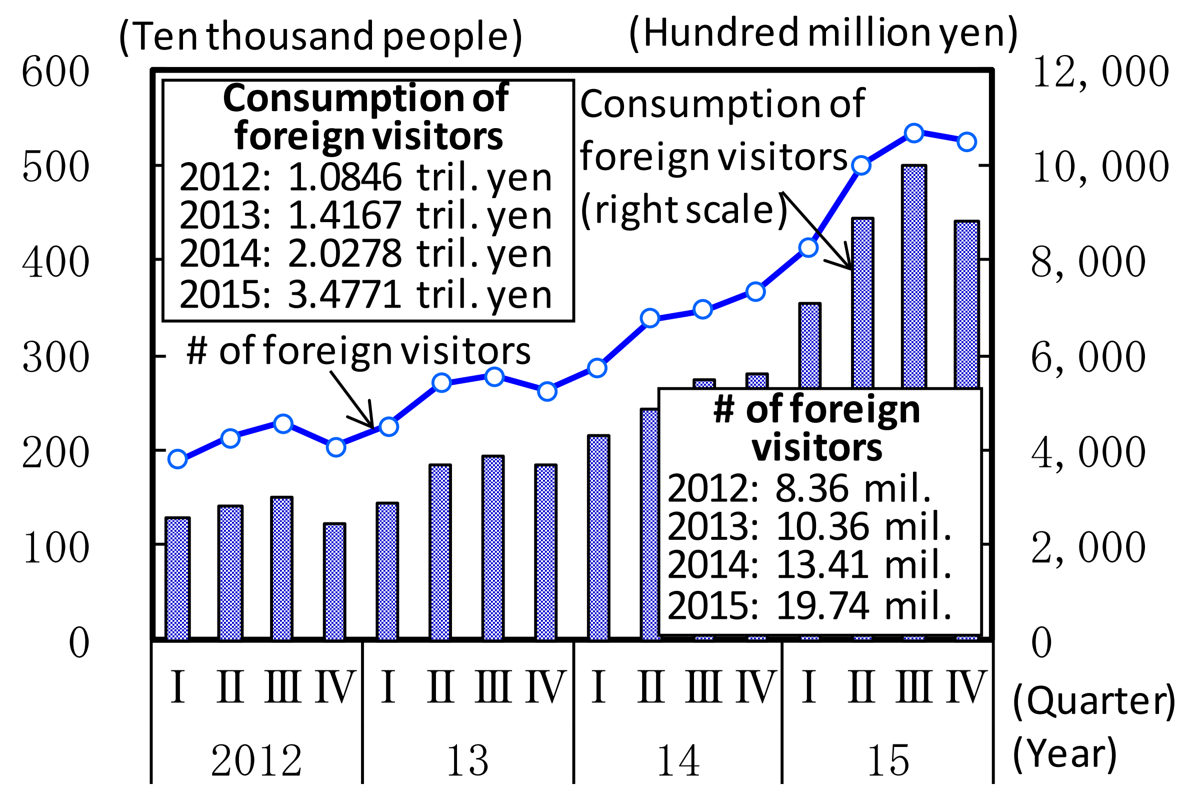
8. Foreign Relations

- Since 2015, the current account balance has had a surplus of more than 1 trillion yen. The trade deficit has also decreased considerably.
- In 2015, 19.74 million foreign visitors came to Japan, by 11.38 million more than in 2012.
- The TPP Agreement negotiations reached an agreement in principle on October 5, 2015.

Changes in the Current Account Balance



The Number of Foreign Visitors to Japan and their Consumption



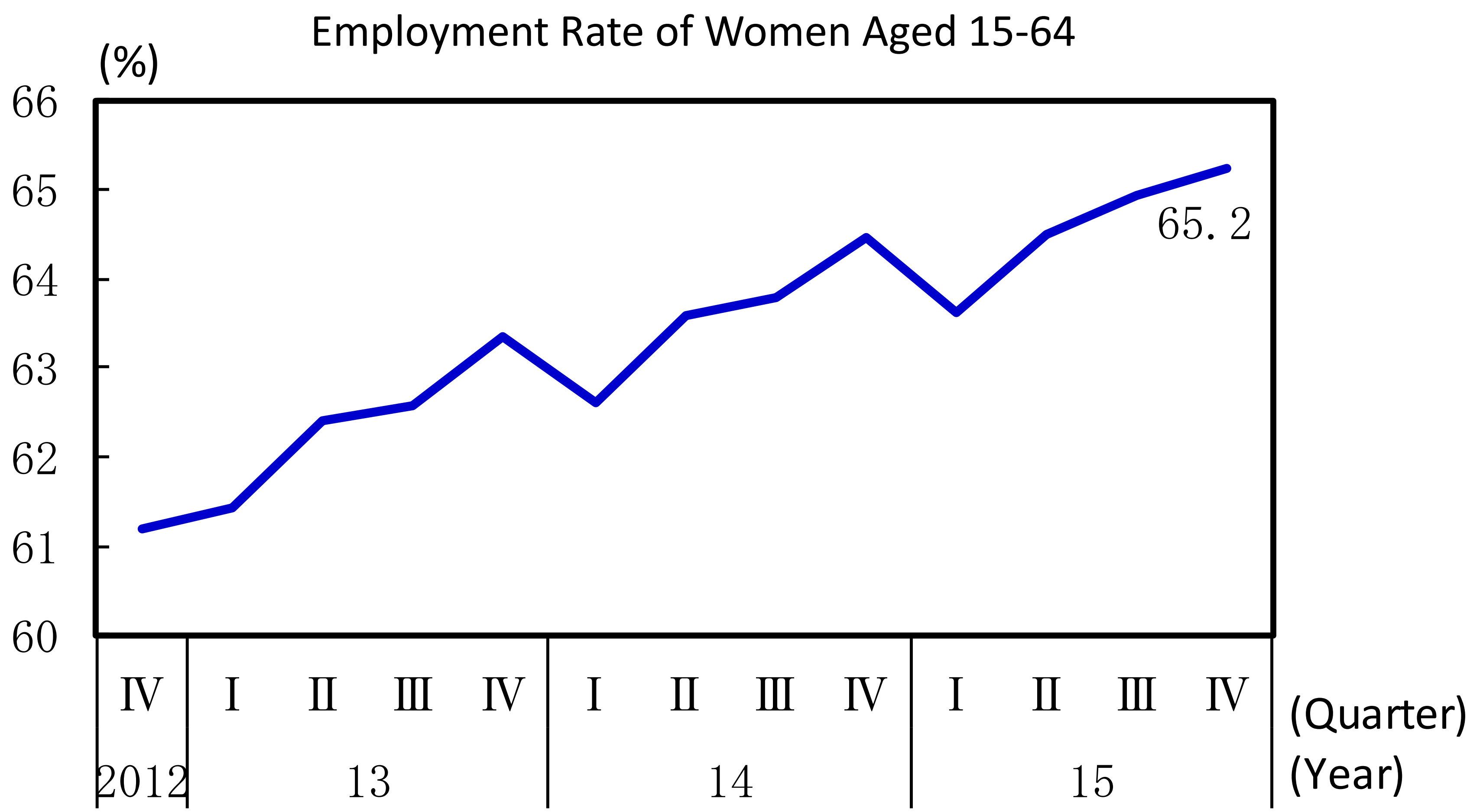
Source: MOF, "Balance of Payments Statistics," JNTO, "Trends in Number of Foreign Visitors to Japan," and JTA, "Consumption Trend Survey for Foreigners Visiting Japan."

Indicator	Before Abe Cabinet	Most Recently	Note
No. of duty-free stores	4,622 stores (April 2013)	29,047 stores (October 2015)	Approx. 6-fold increase
Overseas infrastructure contracts awarded to Japanese companies	Approx. 10 trillion yen (2010)	Approx. 16 trillion yen (2013)	
Export amount of agricultural, forestry and fishery products and foods	449.7 billion yen (2012)	745.2 billion yen (2015)	Approx. 1.7-fold increase

Source: JTA, "Distribution of Duty-Free Stores (Export Goods Retailers) by Prefecture," Ministerial Meeting on Strategy relating Infrastructure Export and Economic Cooperation materials, and MAFF, "Export Data for Agricultural, Forestry and Fishery Products and Foods."

9. Promoting active participation of women

- The number of employed women increased by 1.05 million from the Oct.-Dec. quarter of 2012.
- The employment rate among women aged 15-64 is at a record high level.

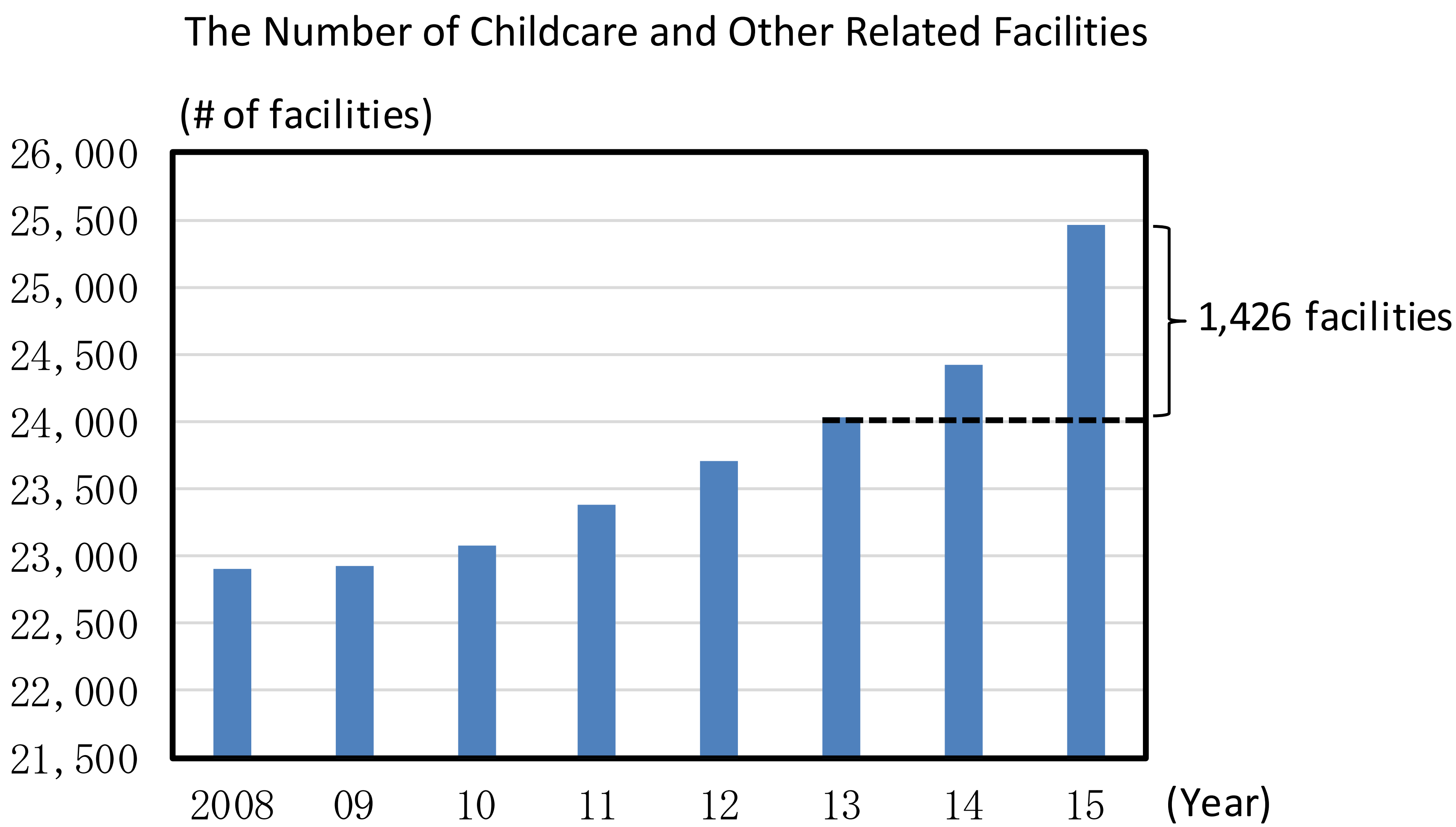


Note: MIC, “Labour Force Survey.”

Indicator	Pre-Abe Cabinet	Most Recent Data	Note
# of employed women	26.68 million (2012 Oct.-Dec. Quarter)	27.73 million (2015 Oct.-Dec. Quarter)	1.05 million increase
Labor force participation rate of women aged 25-44	70.9% (December 2012)	74.5% (December 2015)	3.6% point increase
# of women regular employees	10.41 million (2012)	10.42 million (2015)	10,000 more women
Ratio of women in managerial positions at private companies	7.9% (2012)	9.8% (2015)	1.9% point increase

Source: MIC, “Labour Force Survey” and MHLW, “Basic Survey on Wage Structure”

10. Tackling the declining birthrate



Note: MHLW, "Situation of Childcare Facilities and Other Related Information." For 2015, the value represents the total number of childcare facilities and certified "kodomo-en" (facilities combining nursery school and kindergarten).

Indicator	Before Abe Cabinet	Most Recently	Note
Childcare capacity	Approx. 2,409 thousand children (April 2013)	Approx. 2,627 thousand children (April 2015)	Increased by approx. 219,000 in FY2013-2014. Will increase by 500,000 by the end of FY2017.
No. of children using childcare facilities, etc.	2,219,581 children (April 2013)	2,330,658 children (April 2015)	111,000 more children

Source: MHLW, "Situation of Childcare Facilities and Other Related Information."